

The Wariness in Kazakhstan of Chinese Economic Investments and Interests

By Matthew Stein

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China's relationship with Kazakhstan in the post-Soviet era dates back to 1992, when the two countries established diplomatic ties. Since then they have signed several major bilateral agreements, and both countries were among the founding members of the Shanghai Cooperation Organization (SCO).¹ These agreements have been the basis of a relationship that has become increasingly close, as China eclipsed Russia as Kazakhstan's main economic partner in 2011.² One important aspect of this economic relationship has been China's \$20 billion investment in transportation and energy infrastructure in Central Asia, a significant portion of it in Kazakhstan.³ While the investment has been beneficial, there has been some Kazakh resentment. There is a belief in Kazakhstan that Chinese investment is part of a broader plan to take control of the economy and possibly annex land. A look at the Kazakh wariness of China's economic involvement in Kazakhstan shows public frustration at the government alongside anti-Chinese sentiment.

Chinese Investment and Economic Interests in Kazakhstan

China's interest and investment in Kazakhstan is driven by the latter's large amount of energy resources, particularly oil, uranium, and natural gas. Kazakhstan is geographically well situated for future transportation projects, especially a planned high-speed rail line that would run from China to Europe via Kazakhstan. Finally, there is a significant amount of trade between the two countries, particularly in consumer goods from China.

Oil

The Kazakhstan-China oil pipeline links oilfields in Western Kazakhstan (near the city of Atyrau) with the city of Alashankou, China (near the Alataw-Dostyk border crossing).⁴ The pipeline was constructed in phases from 2003-2009, and in 2012 delivered ten million tons of oil to China.⁵ The pipeline is a joint venture between the China National Petroleum Corporation and KazTransOil, which is a subsidiary of KazMunayGas, Kazakhstan's national oil company.⁶ Since the late 1990s China has invested significant amounts of money in developing Kazakhstan's oil-producing infrastructure and owns significant percentages of oil companies in Kazakhstan.⁷

Uranium

In 2009 Kazakhstan became the world leader in uranium mining, producing over 19,000 metric tons (around 20,900 tons) in 2011. Kazakhstan is second in the world in recoverable uranium.⁸ Kazatomprom is the national company that controls all nuclear-related activities, including uranium mining.⁹ The majority of uranium mining in Kazakhstan is financed through joint ventures with companies from Canada, France, Japan, Russia, and China.¹⁰ China's joint ventures in uranium mining in Kazakhstan are conducted by the China National Nuclear Corporation and the China Guangdong Nuclear Power Company. These Chinese companies have less than 50 percent of the shares in mines that produce roughly 1000 tons of uranium annually.¹¹ It is estimated that 20 percent of Kazakhstan's uranium exports goes to China (around 3,800 metric tons for 2011).¹²

Natural Gas

Kazakhstan's natural gas is transported to China through the Turkmenistan-Uzbekistan-Kazakhstan-China pipeline.¹³ Construction on the gas pipeline (actually two parallel pipelines) started in 2007 (Turkmenistan's section), continued through 2008-09 (Uzbekistan's and Kazakhstan's sections) and began gas deliveries to China in late 2009. The sections of the pipeline were constructed as separate joint ventures between China and each of the three states.¹⁴ The pipeline is capable of delivering around 30 billion cubic meters (bcm) of gas a year. As of late 2012 the pipeline reportedly delivers around 30 bcm annually, most of which comes from Turkmenistan.¹⁵ Annual figures on Kazakhstan's natural gas exports to China are unavailable, but estimates for 2010-2012 are five bcm of gas.¹⁶

Transportation

There is currently one rail link between Kazakhstan and China that runs through the Alataw-Dostyk border crossing.¹⁷ The gauge of rail line on Kazakhstan's side is 1520mm (Russian gauge), which is different than the Chinese 1435mm line (international standard gauge). The bogies (wheel truck assemblies) on the rail cars must be switched at the Alataw-Dostyk crossing.¹⁸ In addition to the current rail link, there are plans to connect Europe and China via a high-speed rail line. This line would run from Urumqi, Xinjiang Province (Western China) through Kazakhstan and on to Europe.¹⁹ While this project is still in its early stages, in February 2011 the governments of China and Kazakhstan agreed on a plan to connect the cities of Astana and Almaty with high-speed rail.²⁰ The project is expected to be completed by 2015 and will be jointly constructed.²¹

While the high-speed rail line is the most important transportation project between the two countries, there are several road links that support cross-border traffic and trade.²² The most noteworthy link is the Khorgos border crossing between Kazakhstan and Xinjiang. While the Alataw-Dostyk border crossing handles a significant amount of traffic, Khorgos is a free trade zone on the Kazakh-Chinese border that opened in December 2011 after construction delays on the Kazakh side.²³ Kazakhstan has been working on improvements to the road that runs from Almaty to Khorgos, and has started construction of a new rail line that would run parallel to it.²⁴

Other trade between Kazakhstan and China includes machinery, metals, textiles, chemicals, and consumer goods. The total value of these goods is difficult to determine, although one estimate placed the value at \$13 billion annually.²⁵ There is also an unknown amount of goods that are smuggled across the border. In May 2011 the Financial Police of Kazakhstan (an agency subordinated to the President's office that is tasked with fighting economic crimes and corruption) broke up a smuggling operation that involved a few dozen people, including the head of the Khorgos customs post and a former deputy director of the Aqmola Province National Security Committee (KNB).²⁶

The Wariness

While both governments have developed a close economic relationship, there has been public backlash in Kazakhstan to China's increasing economic involvement in the country. Wariness of China is not a new development in Kazakhstan, but it has become more pronounced as Chinese investments and involvement have grown, especially after the Kazakh president mentioned a possible deal to lease land to China.

At a foreign investors' council meeting on December 4, 2009, Kazakh President Nursultan Nazarbayev mentioned that China proposed it be provided or be allowed to lease one million hectares (about 2.47 million acres) of Kazakh land to grow crops. This announcement came alongside a proposal by Nazarbayev that foreign investors should create areas in the country where food could be grown for workers on special infrastructure projects.²⁷ A few days later the Chinese ambassador to Kazakhstan stated that the two countries intended to cooperate on agricultural projects, but there was never a proposal to provide China with Kazakh land.²⁸ The government of Kazakhstan also later denied that a deal for land took place.²⁹

Even though both governments claimed that there was no land deal, the announcement caused protests in Astana and Almaty. The protesters believed that any land deal, however temporary at first, would become permanent.³⁰ Speculation about the deal continued through 2011, especially by a Kazakh language newspaper that printed altered photographs depicting Kazakhs working as plow horses for Chinese farmers.³¹ This newspaper also published an open letter to the president from members of opposition political parties, writers, scholars, and leaders of various community organizations. The letter outlined China's purchases of stakes in various companies in Kazakhstan and urged caution when making deals with China, including the alleged land deal.³² No further details of the land deal emerged, particularly what land would be allocated. It is possible that a deal was discussed, but likely that it never made it past that point.

Alongside the apprehension of Chinese influence in Kazakhstan is an equal amount of public frustration at the government. The newspaper that published the open letter also published articles critical of the government's domestic policies. These articles contained altered photographs mocking members of the government, including the president.³³ Several op-ed pieces stressed that there are limits to China's economic involvement and that people should not

speculate about Chinese plans, since Kazakhstan's economy depends on trade with China.

Rather, one of the main issues is how profits are distributed in Kazakhstan.³⁴

Despite the articles that continued through 2011, wariness of China has largely subsided in the media and among the public. Part of the reason for this could be other incidents that took place in 2011 and 2012 that diverted public attention from China to domestic issues. These incidents include terrorist attacks, a several-month-long protest that turned violent, and the murder of over a dozen border guards at a border outpost near the Kazakh-Chinese border.³⁵ The terrorist attacks, protest, and the murders resulted from internal issues unrelated to China's economic involvement. As of late 2012 the public and media in Kazakhstan focused more on domestic issues than China's involvement in the country.³⁶ Although wariness of China could again become an issue in Kazakhstan, it is most likely that frustration with the government will be the main problem for the foreseeable future.

Notes

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